

**Example:** The following example illustrates the computation of the alternative minimum tax.

Rick and Rita moved to California and became residents on May 1, 2002. Rick and Rita had \$170,000 in combined wages for the year. They received \$100,000 after their move to California. On October 1, 2002, Rita exercised an incentive stock option valued at \$90,000 for which she paid \$10,000 (preference amount \$80,000). The total taxable income for the year was \$150,000. The total itemized deductions for the year was \$20,000. Five thousand (\$5,000) of the itemized deductions are real and personal property taxes, which are preferences items. Their prorated regular tax was \$6,035.

**Calculation of Rick and Rita's 2002 California Alternative Minimum Tax:**

**Total Alternative Minimum Taxable Income**

Real and personal property tax preference .....	5,000
Plus: Incentive stock option preference .....	+ 80,000
Plus: Total taxable income .....	+150,000
Total Alternative Minimum Taxable Income.....	<b>235,000</b>

**Total Tentative Minimum Tax**

Total Alternative Minimum Taxable Income.....	235,000
Less: Exemption amount * .....	- 64,152
	170,848
Alternative Minimum Tax rate .....	x .07
Total Tentative Minimum Tax .....	<b>11,959</b>

**California Alternative Minimum Tax Adjusted Gross Income**

California (regular tax) adjusted gross income .....	100,000
Plus: Incentive stock option preference amount .....	+ 80,000
California Alternative Minimum Tax Adjusted Gross Income.....	<b>180,000</b>

**Total Alternative Minimum Tax Adjusted Gross Income**

Total Alternative Minimum Taxable Income.....	235,000
Total itemized deductions.....	20,000
Less: Real and personal property tax preference.....	- 5,000
Total Alternative Minimum Tax Itemized Deductions .....	+ 15,000
Total Alternative Minimum Tax Adjusted Gross Income.....	<b>250,000</b>

**California Alternative Minimum Taxable Income**

Total Alternative Minimum Tax Itemized Deductions .....	15,000
Multiple by the ratio:	
<u>California Alternative Minimum Tax Adjusted Gross Income</u> <u>180,000</u> =	
Total Alternative Minimum Tax Adjusted Gross Income    250,000    x .7200	
Prorated alternative minimum tax itemized deductions .....	- 10,800
California Alternative Minimum Taxable Income .....	<b>169,200</b>

**California Alternative Minimum Tax**

California Alternative Minimum Taxable Income.....	169,200
Multiple by the ratio:	
<u>Total Tentative Minimum Tax</u> <u>11,959</u> =	
Total Alternative Minimum Taxable Income    235,000    x .0509	
California Tentative Minimum Taxable Income .....	8,612
Less: Prorated regular tax .....	- 6,035
California Alternative Minimum Tax.....	<b>2,577</b>

\* For purposes of this example, the 2001 exemption amount was used.

TO CALCULATE THE PERCENTAGE FOR CALIFORNIA	INSTRUCTION
AMT Tax Rate	Divide the total tentative minimum tax by the total alternative minimum taxable income.  <div><div>Total Tentative Minimum Tax</div><div>Total Alternative Minimum Taxable Income</div></div>
AMT Itemized Deductions	Divide the California alternative minimum tax adjusted gross income by the total alternative minimum tax adjusted gross income.  <div><div>California Alternative Minimum Tax AGI</div><div>Total Alternative Minimum Tax AGI</div></div>